among taxpayers, and this seems fair and sensible for a moderate, temporary, emergency increase.

A surcharge is in line with the recommendations of the Subcommittee on Fiscal Policy of the Joint Economic Committee. In the spring of 1966 the subcommittee held hearings on the subject of tax changes for short-run stabilization, which were a thorough and comprehensive investigation of the subject.

The committee agreed that a uniform percentage addition to, or subtraction from, corporate and personal income tax liabilities, to be effective for a stated period, best satisfied the criteria for short-run stabilizing revenue changes.

It was in the light of these compelling considerations that a general surcharge—modified to avoid imposing additional tax burdens on individuals in the very lowest income brackets—was decided upon as the major measure in the President's program.

I want to make quite clear that the choice of the surcharge form to meet a temporary need by no means implies a turning away from the need for achieving important permanent structural changes in the tax system.

Indeed, as the President stated in his economic message, he will be sending a message proposing comprehensive tax reform later in this session.

Both in timing and objectives, however, tax reform should be distinguished from the present temporary surcharge recommendation. The surcharge is needed now for revenue. Expeditious action is essential if it is to achieve its purpose. It is a temporary measure and not a permanent part of our revenue structure. The central issues for congressional concern are the size of the needed increase and its timing.

The tax reform message will require more deliberate consideration since it involves proposals for permanent structural changes and some redistribution of tax burdens in the interest of a fairer sharing of the load. Its basic objective is not to raise revenue but to correct a number of inequities and abuses in our tax system.

Tax reform is a job that very much needs to be done. I hope your committee will be giving its consideration to the President's reform recommendations in the months ahead.

I move now, Mr. Chairman, over to page 46 in my statement in the middle of the page.

(The material deleted from Secretary Fowler's prepared statement follows:)

2. Effect of the surcharge on individuals

The 10 percent surcharge would be effective for individuals as of October 1, 1967. There has been some confusion about what the 10 percent applies to. For clarity, let me repeat that the surcharge percentage applies to the tax liability of the individual—not to the individual's income. A surcharge equal to 10 percent of the tax liability the individual would otherwise incur under present law would, of course, equal a much smaller percent of the individual's income. Thus, a married couple with two dependents with a wage income of $10,000 and taking typical deductions, would have a tax of $1,114 under present tax rates, and a 10 percent surcharge would amount to $111. But this $111 is only slightly more than 1 percent of the family's income.

The selection of the October 1 date—3 months later than the recommended starting date for corporations—reflects certain practical considerations involved in changing the current payments required to be made by individuals. Increased withholding rates for wages and salaries could not feasibly be put into effect at